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C O N F I D E N T I A L SECTION 01 OF 02 NICOSIA 000669

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DEPARTMENT FOR EUR/SE

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SUBJECT: PRESIDENTIAL CHALLENGER KASOULIDES SEES OUTLOOK  
IMPROVING

REF: NICOSIA 136

Classified By: Ambassador Ronald Schlicher, reason 1.4 (b)

¶1. (C) SUMMARY: Ebullient and outgoing as ever, DISY-supported presidential candidate Ioannis Kasoulides displayed a new air in a recent meeting with EmbOffs: confidence. Just two months ago, certain he faced a Herculean challenge in defeating incumbent Cypriot President Tassos Papadopoulos, Kasoulides considered the July "coming out" of AKEL candidate Dimitris Christofias -- and the subsequent collapse of Papadopoulos's three-party coalition -- an unbelievable boon to his chances. Now, both DISY-commissioned and public polling show the three candidates in a near-dead heat, and Kasoulides plans to take advantage of the positive momentum. Working in his favor is a Cyprus Problem strategy different and superior to his competitors'. Not all is rosy, however; Papadopoulos continues to wield considerable sway with Cyprus's media barons, vital to a successful campaign, and Christofias enjoys AKEL's impressive machinery and party discipline. The race should be grueling and tough to call. END SUMMARY.

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POLL RESULTS BUOY KASOULIDES'S CONFIDENCE  
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¶2. (C) Kasoulides asserted August 10 that DISY supporters were rallying to his candidacy faster than expected. Traditionally, DISY backers did not close ranks until just before the election, he explained, but recent party-commissioned polls showed internal support for Kasoulides already reaching 75 percent. As to the general public's support for the candidates, the polling showed him holding steady, Christofias rising, and the President sinking. Kasoulides anticipated that more DISY supporters would back his candidacy as the election approached, and he expected to reach the second round having garnered at least one-third of the popular vote. Should his opponent in Round 2 be the Communist leader, he predicted an easy victory; a runoff campaign against Papadopoulos looked far harder. (Note: A recent "Politis" newspaper poll predicted results very similar to DISY's.)

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CHALLENGERS CLOSING  
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¶4. (C) Papadopoulos remained the man to beat, Kasoulides admitted, but his lead was dwindling fast. He suspected the President's decline stemmed from his lack of a reliable base. Aside from his own DIKO party -- whose size was dwarfed by DISY's and AKEL's -- Papadopoulos had only the stated backing of smaller parties EDEK and EUROKO; summed, and assuming a

small number of turncoats, they weren't sufficient to get him to the second round. Working in Papadopoulos's favor, however, was his near-total command of Cyprus's largest media outlets. Kasoulides claimed some progress with the DIAS Group, and MEGA TV so far had resisted part-owner Archbishop Chrysostomos's pressure to support Papadopoulos's run, but ANTENNA1 and several prominent Cyprus Broadcasting Corporation journalists continued to back the incumbent. Further, the President could still offer political pork, exploit the July 8 Agreement, and manage the oil exploration process for political gain. All, however -- especially the oil matter, were Turkey to react strongly -- were double-edged swords, exploitable as well by the opposition.

15. (C) Unabashedly, Kasoulides admitted his newfound prospects were purely a product of Christofias entering the race, resulting in the collapse of Papadopoulos's three-party coalition. AKEL's announcement had split Papadopoulos's support and opened the door for his candidacy to achieve relevancy and legitimacy. In Round 1, Kasoulides expected Christofias to level criticism at Papadopoulos's inflexible post-referendum stance and to stick to AKEL's "wooden," unimaginative language on the Cyprus Problem. The Communists held a great advantage with their legendary party machinery and discipline, however. Such assets alone gave Christofias a valid chance at a second-round appearance.

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ALL CYPRUS PROBLEM, ALL THE TIME  
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16. (C) Despite a wealth of other issues to tackle, from tourism woes to the euro's onset, Kasoulides expected the Cyprus Problem would dominate the election campaign. Here he

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took pains to differentiate his program from his competitors'. To jump-start the stalled July 8 process and bring meaningful progress to the local negotiations, Kasoulides proposed to shrink the list of committee/working group discussion topics and focus more on day-to-day, practical matters. Believing that July 8 was the only process capable of returning leaders from both communities to the negotiating table, Kasoulides requested that the USG push T/C leader Mehmet Ali Talat to meet with Papadopoulos and not attempt to interfere with the Greek Cypriot elections. In light of Papadopoulos's recent failures to secure meetings with Talat, Kasoulides vowed to meet the T/C chief as his first act as president. Further, he would propose that each side undertake unilateral goodwill measures for the other's benefit. As an example, he would be willing to offer "trade" and recognition of Turkish Cypriot universities if Talat reciprocated by returning the closed city of Varosha or declaring a moratorium on G/C property development in the north. Kasoulides would also push for an immediate opening of the Ledra Street crossing, overcoming the impasse over where the "border" actually lay by requesting both sides to delay its resolution until after related final settlement negotiations had commenced.

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THE BREAKUP: MANNA FROM HEAVEN  
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17. (C) COMMENT: Had AKEL remained a coalition partner, Kasoulides would have faced near-certain defeat in February. As evidenced by the early polling, however, the three-party breakup in July has made the opposition candidate a bona fide contender, at least to advance to the second round. His prospects for success in Round 1 hinge on securing 90-plus percent support from DISY voters and garnering a big chunk of the undecideds, which currently number around 10 percent (he likely will peel off few committed DIKO and AKEL voters). Kasoulides's main weakness remains his earlier support of the 2004 Annan Plan reunification effort -- although the candidate does not espouse a return to Annan, both

Papadopoulos and Christofias are sure to refresh the  
electorate's memory of his "YES" vote at every opportunity.  
END COMMENT.  
SCHLICHER